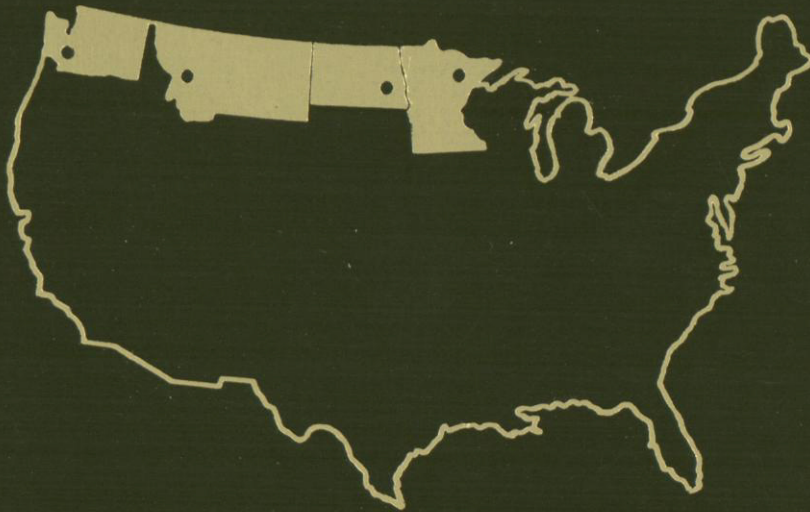


Mercantile Stores Company, Inc

1975 Annual Report

Mercantile's Northern Tier
from Lake Superior
to the Pacific



Glass Block—Duluth, Minnesota



de Lendrecie's—Fargo, North Dakota



Hennessy's—Billings, Montana



Peoples—Federal Way, Washington

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Annual Meeting

The Annual Meeting of Stockholders will be held at 11:00 a.m., on Wednesday, May 26, 1976 at 100 West 10th Street, Wilmington, Delaware. All stockholders are cordially invited to attend.

Form 10-K Annual Report

A copy of Mercantile's 1975 Form 10-K Annual Report as filed with the Securities and Exchange Commission is available upon request by writing:

Office of the Secretary
Mercantile Stores Company, Inc.
100 West 10th Street
Wilmington, Delaware 19899

Stock Transfer Agent:
Chemical Bank
55 Water Street
New York, N.Y. 10041

Registrar of Stock:
Citibank, N.A.
399 Park Avenue
New York, N.Y. 10022

Directors

† John E. Bierwirth
*Chairman, Executive Committee and a director of
National Distillers and Chemical Corporation.*

Frederick W. Bleckwenn
*Vice-President
Mercantile Stores Company, Inc.*

† William W. Geddes
*President and Chief Executive Officer and a
director of Wilmington Trust Company,
Wilmington, Delaware.*

* Harold W. Jockers
*Chairman of the Executive Committee
Mercantile Stores Company, Inc.*

* F. G. Kingsley
*Vice-President and a director of
Deering Milliken, Inc.*

* James C. Lovell
*President,
Mercantile Stores Company, Inc.*

Gerrish H. Milliken
*Vice-President and a director of
Deering Milliken, Inc.*

* Minot K. Milliken
*Vice-President, Treasurer and a
director of Deering Milliken, Inc.*

* † Roger Milliken
*President and a director of
Deering Milliken, Inc.*

† George S. Moore
*Director of White, Weld & Co. Incorporated
and a director of
Credit Suisse-White, Weld & Co. Limited.*

Edward J. Sharkey
*Vice-President
Mercantile Stores Company, Inc.*

R. Nelson Shaw
*Consultant
Mercantile Stores Company, Inc.*

Charles E. Stallings
*Vice-President
Mercantile Stores Company, Inc.*

* Leon F. Winbigler
*Chairman of the Board
Mercantile Stores Company, Inc.*

* Executive Committee
† Audit Committee

Officers

Leon F. Winbigler
Chairman of the Board

James C. Lovell
President

Harold W. Jockers
Chairman of the Executive Committee

F. G. Kingsley
Chairman of the Finance Committee

Frederick W. Bleckwenn
Vice-President

William A. Heineman
Vice-President and Treasurer

Edward J. Sharkey
Vice-President

Charles E. Stallings
Vice-President

Walter H. Bosch
Controller

Dennis F. Murphy
Secretary

Mercantile Stores Company, Inc.

100 West 10th Street—Wilmington, Delaware

Mercantile's Northern Tier



Financial Highlights in Brief

	1975 (Year Ended Jan. 31, 1976)	1974 (Year Ended Jan. 31, 1975)
Operating Results:		
Net sales	\$630,604,000	\$563,861,000
Sales increase percentage	11.8%	8.8%
Income before income taxes	61,865,000	42,525,000
Percent to sales	9.8%	7.5%
Net income	31,545,000	21,034,000
Percent to sales	5.0%	3.7%
Per Common Share:		
Net income	\$5.35	\$3.57
Dividends	.80	.80
Financial Position:		
Working capital	\$128,224,000	\$102,181,000
Ratio of current assets to current liabilities	2.69	2.74
Receivables — net	13,141,000	14,646,000
Due from Mersco Finance Corporation	56,037,000	49,429,000
Inventories	103,448,000	82,803,000
Property and equipment — net	117,941,000	106,290,000
Total assets	329,799,000	273,873,000
Long-term debt	45,076,000	34,656,000
Stockholders' equity	199,850,000	173,021,000
Per common share	33.90	29.35
Ratio of net income to invested capital	16.9%	12.8%
Stores at end of year	76	73
Total square feet	7,940,000	7,538,000

To Our Stockholders

April 19, 1976

In 1975, the Company's net sales continued to set new records with an increase of 11.8% to \$630,604,000.

Net income of \$31,545,000 surpassed by a substantial margin all previous highs. Last year, net income was \$21,034,000. Earnings per share were \$5.35, compared with \$3.57 for the preceding year.

This latest year included two non-recurring items of income, net of tax; \$448,000, or $7\frac{1}{2}\text{¢}$ per share, from the sale of a warehouse and \$590,000, or 10¢ per share, from a condemnation award. In addition, the investment tax credit this year was higher by \$678,000, or $11\frac{1}{2}\text{¢}$ per share, than a year ago. We had pre-opening expenses for four new stores this year which were considerably higher than the expense last year when we only expanded two stores and opened one relatively small unit.

Twenty years ago, in its Annual Report for the year ended January 31, 1956, the Company reported that it had 19 large, 36 junior and 8 appliance stores for a total of 63 stores.

In the year under review, the Company has reported that it operates 76 stores. To the uninformed, this comparison may give the impression of a Company which has changed little in two decades. However, substantial changes have in fact occurred.

Thirty-eight of the 63 stores operated at the beginning of 1956 have been closed. In the 20 year interval, the Company has constructed 51 quality department

stores that have contributed significantly to its growth and profitability.

During this span, your Company closed four downtown stores, moving three of them successfully into the suburbs. At the same time, it improved its other downtown locations.

The Company strengthened its position in markets already served and expanded into new areas.

As it replaced 70% of its property and equipment during these two decades, the Company's sales multiplied over $4\frac{1}{2}$ times from \$138,800,000 to \$630,600,000 and its net income over $7\frac{1}{2}$ times from \$4,120,000 to \$31,545,000.

We would be remiss if we did not acknowledge that a sizeable portion of this improvement has resulted from inflation. We believe, however, that the quality, character and policies of our stores have contributed substantially to these results.

One of these important policies is our long established program of recruitment, training and promotion from within which has developed personnel with the qualities of leadership and talent for the continued growth of the Company. We offer them outstanding incentives in the form of rapid advancement, generous compensation and fringe benefits.

Because our position in the market areas in which we are located has perceptively improved and because our stores in newer markets have proven successful, we look to the future with optimism.

During this past year, we were saddened by the death of two gentlemen who contributed much to the Company.

Mr. Morgan A. Casey, a former officer and director, with almost 38 years of service, died on December 30, 1975.

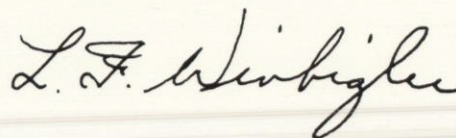
A younger member of the Company's management team, Mr. Harry W. Powell, died suddenly on December 21, 1975. Mr. Powell had served in various capacities during almost 28 years of service. His position at the time of his death was President of The Peoples Store Company in Tacoma, Washington.

The dedication and devotion of both to the Company will be cherished and remembered for all time.

We highly value the close relationship we have experienced over the years with our suppliers. A mutual spirit of fairness and loyalty will always be a major consideration.

To the thousands of loyal, hard working and dedicated associates who have made this latest year so special, we express our heartfelt thanks.

Respectfully submitted,



Leon F. Winbigler,
Chairman of the Board



James C. Lovell,
President

By order of the Board of Directors

Operating and Financial Review

Sales

Sales for the year ended January 31, 1976 amounted to \$630,604,000, an increase of 11.8% over the \$563,861,000 for the previous year. This was the 20th consecutive year in which annual sales increased over the previous year's results.

The Company's sales have grown in the past ten years at a compound annual rate of 11.1%.

Sales for comparable stores (opened prior to February 1, 1974 with no appreciable change in square footage) increased by 9.3%. In the prior year, this figure was 7.2%.

Net Sales (thousands)

Quarter	1975	1974	Quarter Percentage Increase	Year to date Percentage Increase
1st	\$118,814	\$116,171	2.3	2.3
2nd	144,991	132,811	9.2	6.0
3rd	155,645	135,629	14.8	9.1
4th	211,154	179,250	17.8	11.8
	<u>\$630,604</u>	<u>\$563,861</u>		<u>11.8</u>

On the sales graph, we have plotted the pattern of monthly dollar sales for the past three years. In this latest year, sales were ahead slightly during February and March and slightly behind for April. The earlier Easter in 1975 contributed to this decline in April, but first quarter results were ahead by 2.3%. This contrasted with a 13.2% increase in the first quarter of 1974.

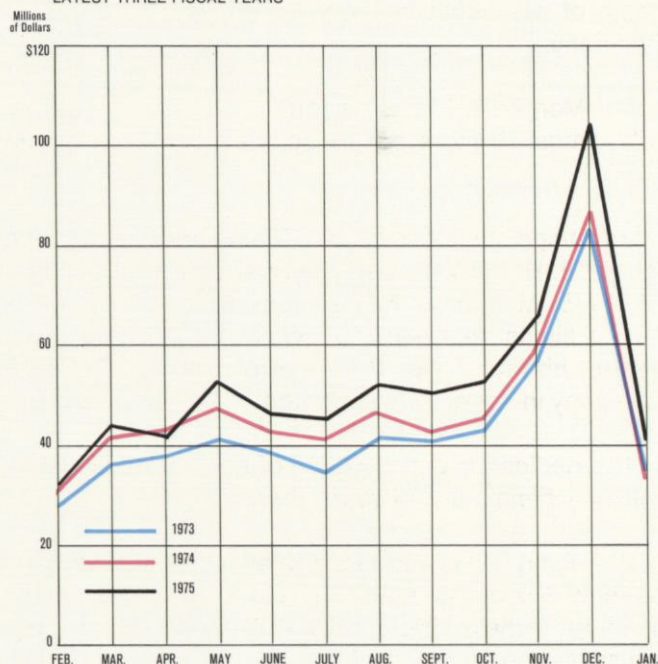
Sales in the second quarter increased by 9.2%, again somewhat less than the 14.2% for the second quarter of 1974.

The increase in the month of August of 12.4% was the smallest increase in the second half. The third quarter sales increased by 14.8%, well ahead of the 9.5% for the third quarter of 1974.

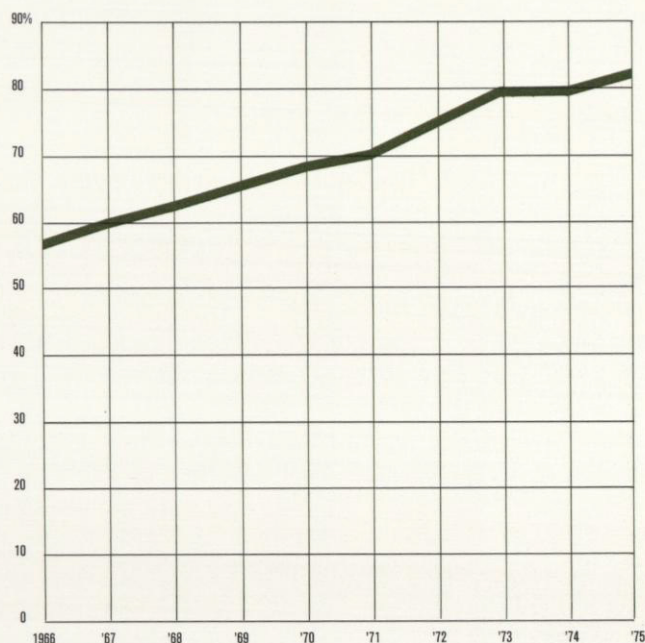
The final and most important quarter began with November up by 12.8%. December and January both had increases in excess of 20% to finish the quarter with 17.8%, in contrast with the fourth quarter of 1974 with its 2.2% increase.

Sales in other than the Company's central downtown area stores accounted for 83% of total net sales.

NET SALES - MONTHLY
LATEST THREE FISCAL YEARS



SUBURBAN STORE SALES
% OF TOTAL SALES



Income

Net income reached a record high of \$31,545,000, an increase of 50% over the prior year's net income of \$21,034,000.

Earnings per share were \$5.35 compared with the \$3.57 earned last year.

Net Income (thousands)

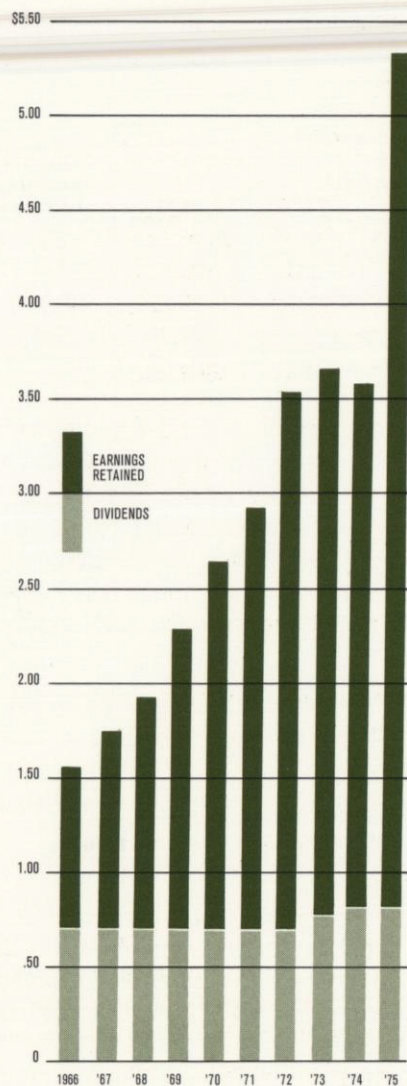
Quarter	1975		1974		Inc. (Dec.) Per Quarter
	Amount	Per Share	Amount	Per Share	
1st	\$ 3,935	\$.67	\$ 4,037	\$.68	\$(.01)
2nd	5,508	.93	3,762	.64	.29
3rd	7,000	1.19	5,043	.86	.33
4th	15,102	2.56	8,192	1.39	1.17
	<u>\$31,545</u>	<u>\$5.35</u>	<u>\$21,034</u>	<u>\$3.57</u>	<u>\$1.78</u>

Net income in this latest year was affected by two non-recurring items of income. As reported in the first quarter, the Company realized a net gain of \$448,000, or about 7½¢ per share, from the sale of a warehouse in Cincinnati, Ohio. Included in the fourth quarter results is an item of equity income totaling \$590,000, or 10¢ per share, substantially all of which resulted from a condemnation award from an unconsolidated subsidiary, 50% owned by the Company.

The investment tax credit received during the year is reflected as a reduction of current income taxes which is referred to as the flow through method. In this latest year, as a result of the higher credit of 10% and the increased pace of expansion, the Company realized \$1,248,000, or 21¢ per share, as a credit. In 1974, this credit was only \$570,000, or 9½¢ per share.

As a result of the lower than expected annual rate of inflation of 3.5% reported by the Bureau of Labor Statistics, the LIFO reserve at year end was significantly below that which had been expected earlier in the year. In accordance with I.R.S. regulations, the Company is not permitted to disclose the effect of the LIFO reserve on earnings for the year.

INCOME*, DIVIDENDS AND RETAINED EARNINGS* PER SHARE OF STOCK



* NOT INCLUDING EXTRAORDINARY ITEMS.

The retail industry seems to vacillate from time to time on how to handle state income taxes. The tendency lately (and probably better practice) appears to be to combine them with Federal income taxes in arriving at net income. We are conforming to that practice this year and reclassifying prior years' pre-tax income.

Income before income taxes from all operations amounted to \$61,865,000, or 9.8% of sales. Last year's reclassified figure was \$42,525,000, or 7.5% of sales.

Fourth Quarter Results (thousands)

	1975	1974
Net Sales	\$211,154	\$179,250
Income Before		
Income Taxes	\$ 29,422	\$ 16,390
Income Taxes	14,320	8,198
Net Income	\$ 15,102	\$ 8,192
Net Income Per Share	\$ 2.56	\$ 1.39

Interest Expense

Interest expense for the year under review was \$3,269,000, down 27% from the \$4,471,000 charged in the previous year.

This latest year's expense benefitted primarily from the drop in interest rates and the lower levels of inventories that were maintained during the first two quarters and, to a degree, into the third quarter.

Interest Expense (thousands)

	Year Ended Jan. 31, 1976	Year Ended Jan. 31, 1975
Long Term	\$2,989	\$2,868
Short Term	280	1,603
	<u>\$3,269</u>	<u>\$4,471</u>

As we go into the new year, we expect interest expense to increase as a result of the higher level of inventories we will maintain during the year as well as the full term effect of our mortgage borrowings in 1975 and, to a degree, those in 1976.

PERCENTAGE OF PRE-TAX PROFIT
TO SALES AND RETURN ON EQUITY*



*BASED ON AVERAGE INVESTMENT

Inventory

Our inventory at year-end was \$103,448,000, an increase of \$20,645,000, or 25%, over the \$82,803,000 for the prior year-end.

In 1974, when sales were at a slow pace, we placed a great deal of emphasis on the reduction of inventory and in fact finished the year with a lower inventory than the previous year. Undoubtedly, with our low inventory of 12 months ago, we restricted our early Spring sales to some degree.

This year we have stressed the importance of having well balanced stocks of Spring merchandise as early as possible to take advantage of the normal seasonal demands. We have placed more emphasis on depth of inventory in staple merchandise. In addition, the increased level of inventory is influenced to a degree by placing contracts for our own merchandise well in advance of those of prior seasons.

Expansion

The Company's expansion program in this latest year was as follows:

<u>Location</u>	<u>Square Footage</u>	<u>Opening Date</u>	<u>Operated By</u>
Middletown, Ohio	109,400	February 3, 1975	McAlpin's
Columbus, Georgia	147,800	August 6, 1975	Gayfers
Federal Way, Washington	98,700	August 14, 1975	Peoples
Billings, Montana	95,000	September 11, 1975	Hennessy's

When the Company opened its new unit in Middletown, Ohio, it closed a smaller (40,000 sq. ft.) store.

Capital expenditures for new stores and renovation and refixturing of existing units totaled \$23,116,000, about equal to that spent during 1974.

For 1976, the Company has committed itself to the following program of expansion:

<u>Location</u>	<u>Square Footage</u>	<u>Opening</u>	<u>Operated By</u>
N. Kansas City, Missouri	200,000	August, 1976	Jones
Albany, Georgia	140,000	July, 1976	Gayfers
Pueblo, Colorado	110,000	October, 1976	Joslins
Panama City, Florida	90,000	August, 1976	Gayfers

It also will expand the Gayfers unit in the Springdale Mall, Mobile, Alabama, with the addition of 60,000 sq. ft. and its Joslin store in the Villa Italia Mall in Denver, Colorado, by doubling its size from 83,000 to 166,000 sq. ft.

With the opening of the new unit in Pueblo, Colorado, the Company will close its 96,000 sq. ft. store downtown.

The Company has a similar expansion program planned for 1977.

Capital expenditures in fiscal 1976 are presently estimated at \$49,000,000 with about \$35,000,000 committed for the new and expanded stores in 1976 and the balance for 1977.

Depreciation on a straight-line basis totaled \$11,465,000 for the year, an increase of \$1,292,000 over that incurred in 1974.

Expenditures for maintenance and repairs of existing stores which are charged off against current operations amounted to \$2,501,000.

Financing

The Company, in view of the expansion program embarked upon during the year which is expected to continue at about the same pace for at least the next four or five years, decided to commit itself to additional long term financing.

During 1975, it placed four mortgages totaling \$13,165,000 on real properties. In addition, it obtained

New Stores, 1976



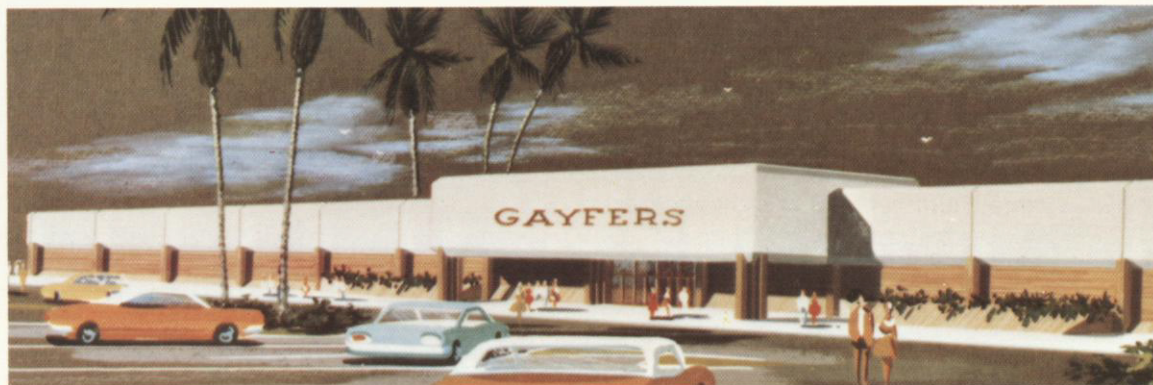
Albany, Georgia



Pueblo, Colorado



N. Kansas City, Missouri



Panama City, Florida

two mortgage commitments totaling \$7,300,000 and a sale leaseback arrangement, all for stores to be constructed during 1976.

It is further expected that additional financing will be placed on stores for 1977 and beyond, contingent upon money market conditions in the future.

At January 31, 1976, no short term loans were outstanding and temporary excess funds of approximately \$20,000,000 were invested on a short term basis.

Pension and Profit Sharing Plans

During the year, the Company undertook a substantial re-evaluation of its Pension and Profit Sharing Plans in view of the new Employee Retirement Income Security Act of 1974, known as ERISA.

The Company originally established its Pension Plan on February 1, 1945 and from inception paid all costs associated with it.

Effective February 1, 1976, the revised Pension Plan was adopted by the Company with about 8,300 associates enrolled on that date.

Inasmuch as the revised Plan will pay a benefit substantially in excess of that paid under the old Plan, the Company's annual cost will increase by about \$1,000,000 per year.

The Savings and Profit Sharing Plan, first placed in effect on March 1, 1954, was changed primarily to bring it into compliance with ERISA and in certain other respects. On February 1, 1976, there were about 7,600 participants.

A participant who contributes 2, 4 or 6% of total remuneration receives a pro-rata matching of such contribution from the Company's profits. In this latest year, the Company deposited with the Trustee a record 96¢ for each \$1.00 contributed by the participant. The Company's contributions have been used to purchase shares of the Company's common stock, such pur-

chases being made regularly throughout the year on the open market.

Under the revised Plan, the Company's contribution, at the option of the participant, may be deposited in a Fixed Income, Equity or Mercantile Stores Stock Fund.

Receivables and Credit

Credit sales represented about 41% of total sales while a year ago they were 42½ % and a year earlier about 43½ %.

Receivables (thousands) were as follows:

	January 31,	
	1976	1975
Customer		
Regular	\$ 8,738	\$ 8,697
Revolving Charge	55,159	49,629
Installment	11,064	9,535
	<u>\$74,961</u>	<u>\$67,861</u>
Less: Reserve for doubtful accounts	(4,129)	(3,739)
Accounts sold to Mersco Finance Corporation net of retained equity of \$6,770,000 and \$6,061,000, respectively	(60,933)	(54,545)
Customer—Net	\$ 9,899	\$ 9,577
Other	3,242	5,069
Total Receivables—Net	<u>\$13,141</u>	<u>\$14,646</u>

The Company believes that by emphasizing the quality rather than the quantity of its credit sales, it has been able to achieve a low bad debt record.

Carrying charge income derived from revolving and installment accounts totaled \$7,514,000 in 1975 and \$7,146,000 in 1974.

Financial Statements

Auditors' Report

To the Stockholders and Board of Directors of
Mercantile Stores Company, Inc.:

We have examined the consolidated balance sheets of Mercantile Stores Company, Inc. (a Delaware corporation) and subsidiary companies as of January 31, 1976 and 1975, and the related statements of consolidated income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Mercantile Stores Company, Inc. and subsidiary companies as of January 31, 1976 and 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

New York, N.Y.,
April 1, 1976.

Statements of Consolidated Income and Retained Earnings

	For the years ended January 31,	
	1976	1975
Net Sales	<u>\$630,604,000</u>	<u>\$563,861,000</u>
Costs and Expenses:		
Cost of goods sold (including occupancy expenses)	429,158,000	392,038,000
Selling, general and administrative expenses	136,312,000	124,827,000
Interest expense	<u>3,269,000</u>	<u>4,471,000</u>
	568,739,000	521,336,000
Income Before Income Taxes	<u>61,865,000</u>	<u>42,525,000</u>
Income Taxes—Note 2		
Currently payable	27,299,000	19,897,000
Deferred	<u>3,021,000</u>	<u>1,594,000</u>
	30,320,000	21,491,000
Net Income	\$ 31,545,000	\$ 21,034,000
Retained Earnings at beginning of year	161,472,000	145,154,000
	193,017,000	166,188,000
Cash Dividends declared and paid		
\$.80 per share in each year	<u>4,716,000</u>	<u>4,716,000</u>
Retained Earnings at end of year	<u>\$188,301,000</u>	<u>\$161,472,000</u>
Net Income per common share	<u>\$5.35</u>	<u>\$3.57</u>

See Notes to Consolidated Financial Statements.

Statements of Consolidated Changes in Financial Position

	For the years ended January 31,	
	1976	1975
Sources of Working Capital:		
Net income	\$31,545,000	\$21,034,000
Depreciation	11,465,000	10,173,000
Increase in deferred income taxes	1,379,000	1,585,000
Funds provided from operations	44,389,000	32,792,000
Increase in long-term debt	13,165,000	3,300,000
Total	57,554,000	36,092,000
Dispositions of Working Capital:		
Dividends paid	4,716,000	4,716,000
Additions to property and equipment	23,116,000	22,556,000
Reduction in long-term debt	2,745,000	1,443,000
Increase (reduction) in other investments	722,000	(113,000)
Increase in equity in and advance to Mersco Finance Corporation	212,000	557,000
Total	31,511,000	29,159,000
Increase in Working Capital	\$26,043,000	\$ 6,933,000
Changes in Working Capital:		
Current assets		
Cash and cash equivalents	\$17,152,000	\$ 2,240,000
Receivables	(1,505,000)	686,000
Due from Mersco Finance Corporation	6,608,000	2,172,000
Inventories	20,645,000	(4,336,000)
Prepayments and other	441,000	(245,000)
Total	43,341,000	517,000
Current liabilities		
Accounts payable	7,378,000	(2,494,000)
Accrued liabilities	2,373,000	(201,000)
Federal income taxes	6,003,000	(3,729,000)
Deferred income taxes on installment sales	1,425,000	9,000
Debt due within one year	119,000	(1,000)
Total	17,298,000	(6,416,000)
Increase in Working Capital	\$26,043,000	\$ 6,933,000

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

January 31,

ASSETS

Current Assets:

	1976	1975
Cash and cash equivalents	\$ 29,167,000	\$ 12,015,000
Receivables — See page 10	13,141,000	14,646,000
Due from Mersco Finance Corporation — Note 8	56,037,000	49,429,000
Inventories — Note 1	103,448,000	82,803,000
Prepayments and other	2,313,000	1,872,000
Total Current Assets	<u>204,106,000</u>	<u>160,765,000</u>

Other Investments

	2,843,000	2,121,000
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Equity in and Advance to Mersco Finance Corporation—Note 8

	<u>4,909,000</u>	<u>4,697,000</u>
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Property and Equipment, at cost:

Land	11,352,000	10,082,000
Buildings and improvements	99,328,000	89,987,000
Fixtures	71,933,000	61,548,000
	<u>182,613,000</u>	<u>161,617,000</u>
Less accumulated depreciation	64,672,000	55,327,000
Property and Equipment — Net	<u>117,941,000</u>	<u>106,290,000</u>
Total	<u>\$329,799,000</u>	<u>\$273,873,000</u>

See Notes to Consolidated Financial Statements.

January 31,

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

	1976	1975
Accounts payable	\$ 38,105,000	\$ 30,727,000
Accrued liabilities	17,904,000	15,531,000
Federal income taxes	8,794,000	2,791,000
Deferred income taxes on installment sales	9,517,000	8,092,000
Debt due within one year	1,562,000	1,443,000
Total Current Liabilities	<u>75,882,000</u>	<u>58,584,000</u>

Long-Term Debt — Note 4

	<u>45,076,000</u>	<u>34,656,000</u>
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Deferred Income Taxes applicable to depreciation

	<u>8,991,000</u>	<u>7,612,000</u>
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Stockholders' Equity:

Common stock — \$.91 2/3 par value issued 5,901,996, outstanding 5,895,636 shares (after deducting 6,360 treasury shares)	5,404,000	5,404,000
Capital surplus	6,145,000	6,145,000
Retained earnings — Note 5	188,301,000	161,472,000
Stockholders' Equity	<u>199,850,000</u>	<u>173,021,000</u>
Total	<u>\$329,799,000</u>	<u>\$273,873,000</u>

Notes to Consolidated Financial Statements

1) Summary of Significant Accounting Policies

a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries except for Mersco Finance Corporation. All inter-company accounts and transactions have been eliminated. The Company's investment in the finance subsidiary is carried at equity in its net assets.

Substantially all of the income before income taxes of Mersco Finance Corporation has been reflected in the Statements of Consolidated Income as a reduction of interest expense.

The consolidated statements include the equity in the earnings of affiliated companies owned 20% or more, which are joint ventures of the real estate subsidiaries.

Reclassifications have been made to the Statement of Consolidated Income for the year ended January 31, 1975 to reflect state taxes on income as an element of income taxes in conformity with general reporting practices of the retail industry.

b) Inventory Pricing

All domestic retail inventories are valued by the retail method and stated on the last-in, first-out (LIFO) basis which is lower than market. At January 31, 1976 and January 31, 1975, they were \$4,244,000 and \$3,128,000, respectively, lower than they would have been had the retail method been used without the application of the LIFO basis.

c) Accounts Receivable

Installment receivables maturing more than one year after January 31, 1976 and 1975 have been included in current assets in conformity with the usual practice followed by department store companies. Profit on installment sales is taken into income at the time of sale; carrying charges are recognized over the term of the installment contracts.

d) Depreciation

Buildings, improvements and fixtures are depreciated on a straight-line basis for book purposes. Accelerated depreciation is used for income tax purposes.

e) Store Pre-Opening Expenses

Store pre-opening expenses are charged to income in the year the expenses are incurred.

2) Income Taxes

Income tax expense was as follows:

	(thousands)	
	1975	1974
Current		
Federal	\$ 24,455	\$ 17,753
State	2,844	2,144
	<u>27,299</u>	<u>19,897</u>
Deferred		
Federal	2,720	1,425
State	301	169
	<u>3,021</u>	<u>1,594</u>
Total income tax expense	<u>\$ 30,320</u>	<u>\$ 21,491</u>

Effective tax rate on income before income taxes 49.0% 50.5%

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	(thousands)	
	1975	1974
Excess of tax over book depreciation	\$ 1,596	\$ 1,585
Income deferred for tax purposes on installment sales to customers but recognized as income on the books	1,425	9
	<u>\$ 3,021</u>	<u>\$ 1,594</u>

The effective tax rate differed from the Federal income tax statutory rate of 48 percent as follows:

	1975		1974	
	Amount (thousands)	Percent of pre-tax income	Amount (thousands)	Percent of pre-tax income
Federal income tax at 48 percent rate	\$ 29,695	48.0	\$ 20,412	48.0
Investment credit	(1,248)	(2.0)	(570)	(1.3)
State income tax, less Federal income tax benefit	1,623	2.6	1,194	2.8
Other	250	.4	455	1.0
Total income tax expense	<u>\$ 30,320</u>	<u>49.0</u>	<u>\$ 21,491</u>	<u>50.5</u>

3) Short-Term Indebtedness

The Company maintains an open line of credit with First National City Bank under which it can borrow up to a total of \$25,000,000 at the bank's prime rate of interest. During the current fiscal year, the Company did not find it necessary to avail itself of this line of credit.

Mersco Finance Corporation has a credit agreement with First National City Bank under which it can borrow up to \$12,000,000 through January 31, 1977. Any amount outstanding at that date is to be paid in 16 substantially equal quarterly installments commencing April 30, 1977.

In addition, Mersco Finance Corporation maintains a \$30,000,000 line of credit with First National City Bank. These borrowings are evidenced by unsecured notes, payable on demand. During the current fiscal year, the Company did not find it necessary to avail itself of this line of credit.

The average monthly short-term borrowings for the years ended January 31, 1976 and January 31, 1975 were \$3,493,000 and \$14,501,000 at weighted average interest rates of 7.7% and 11.3%, respectively. The maximum outstanding for any month end in 1975 and 1974 was \$12,000,000 and \$29,000,000. A commitment fee of \$43,100 and \$14,800 in 1975 and 1974, respectively, based on 1/2 of 1% per annum of the daily unused portion of the commitment was charged under the \$12,000,000 agreement. At January 31, 1976, all borrowings under these arrangements had been repaid.

The Company has an informal understanding with First National City Bank that it will maintain average collected balances in its accounts with the bank of 10% of the total available borrowings (\$67,000,000). An additional 10% will be maintained for any sums borrowed in excess of \$33,500,000. The average collected balances exceeded the average book balances during the year by approximately \$3,000,000 due to the excess of unpresented checks over uncollected deposits. Accordingly, an average of approximately \$3,700,000 of cash included in the Company's books was maintained in support of this arrangement. The lines of credit, but not the credit agreement, may be withdrawn at the option of the bank.

4) Long-Term Debt

Long-term debt consisted of the following:

	January 31, (thousands)	
	1976	1975
8.70% Sinking Fund Debentures due 1995	\$ 23,890	\$ 25,000
5 1/8 % Notes due 1978—\$333,000 due December 1, 1976, \$338,000 due December 1, 1977, with \$2,500,000 due December 1, 1978	3,171	3,504
6% to 7.10% Capitalized Lease Obligation	3,240	3,300
4 1/4 % to 9.5% Mortgage Notes — generally payable monthly over the life of the mortgage	16,337	4,295
	<u>\$ 46,638</u>	<u>\$ 36,099</u>
Less—due within one year	1,562	1,443
	<u>\$ 45,076</u>	<u>\$ 34,656</u>

The 8.70% debentures have a sinking fund requirement calling for the payment of \$1,250,000 annually commencing December 1, 1976. During the current year, \$1,110,000 of the sinking fund requirement which is due December 1, 1976 was satisfied.

During the year, the Company placed four mortgages totalling \$13,165,000 on real properties. No other long-term debt was incurred in the period.

Maturities on long-term debt for the next five years are as follows:

	(thousands)
<u>Year Ending</u>	<u>Amount</u>
January 31, 1977	\$ 1,562
January 31, 1978	2,401
January 31, 1979	4,392
January 31, 1980	1,894
January 31, 1981	1,909

5) Retained Earnings

Under a loan agreement with an insurance company, payment of cash dividends on the common stock is limited to 70% of consolidated net income (as defined) subsequent to January 31, 1958. At January 31, 1976, the earnings free from this restriction were \$80,301,000.

6) Pension & Profit Sharing Plans

The Company contributes to a Pension Plan covering substantially all of its employees who have met certain age and experience requirements. Accrued pension costs are funded currently. The Company also contributes to an employees' Savings and Profit Sharing Plan.

The expenses of the Company for the past two years were as follows:

	(thousands)	
	<u>1975</u>	<u>1974</u>
Pension	\$ 3,357	\$ 2,631
Savings & Profit Sharing	2,926	2,050
	<u>\$ 6,283</u>	<u>\$ 4,681</u>

Provisions of the Pension Reform Act of 1974 have required that the Company amend its Pension Plan in 1976. At present, it is estimated that this change will increase pension costs by approximately \$1,000,000 annually representing, primarily, the amortization over a thirty year period of the additional prior service costs attributable to the revision of the Plan. Unfunded prior service costs are presently estimated at approximately \$34,400,000.

7) Leases and Commitments

The Company had 127 leases in effect at January 31, 1976, most of which will expire during the next twenty years. In the normal course of business, it is expected that many of them will be renewed or replaced by leases on other properties.

The Company has classified its lease commitments as either "financing" leases or "operating" leases. In general, a financing lease is defined as a lease which during the noncancelable period, either (1) covers 75% or more of the economic life of the property or (2) has terms which assure the lessor full recovery of the fair market value of the property plus a reasonable return.

Rent expense on leases, primarily real estate, was as follows (in thousands):

	1975		
	<u>Financing Leases</u>	<u>Operating Leases</u>	<u>Total</u>
Minimum Rentals	\$ 4,750	\$ 2,143	\$ 6,893
Contingent Rentals	1,157	274	1,431
Total Rent Expense	<u>\$ 5,907</u>	<u>\$ 2,417</u>	<u>\$ 8,324</u>
	1974		
	<u>Financing Leases</u>	<u>Operating Leases</u>	<u>Total</u>
Minimum Rentals	\$ 4,523	\$ 1,474	\$ 5,997
Contingent Rentals	1,019	168	1,187
Total Rent Expense	<u>\$ 5,542</u>	<u>\$ 1,642</u>	<u>\$ 7,184</u>

Contingent Rentals are based on percentages of sales.

The future minimum annual lease commitments on noncancelable leases in effect at January 31, 1976, (in thousands), were as follows:

Fiscal Years Ending January 31,	Financing Leases	Operating Leases	Total
1977	\$ 5,468	\$ 1,150	\$ 6,618
1978	5,458	1,030	6,488
1979	5,431	810	6,241
1980	5,431	719	6,150
1981	5,410	591	6,001
1982-86	26,364	1,189	27,553
1987-91	22,586	261	22,847
1992-96	15,787	71	15,858
After 1996	11,848	762	12,610
	<u>\$ 103,783</u>	<u>\$ 6,583</u>	<u>\$ 110,366</u>

Many of the leases require additional payments for real estate taxes and insurance, in addition to the contingent rentals.

The present values of the aggregate minimum lease commitments relating to the financing leases computed on a net lease basis and the interest rates used in the computation were as follows:

Ranges of Interest Rates Used in the Present Value Computation	Weighted Average Interest Rate Year Ending January 31,		Present Value of Rentals At January 31, (thousands)	
	1976	1975	1976	1975
4.50-9.88%	<u>7.55%</u>	<u>7.38%</u>	<u>\$ 40,062</u>	<u>\$ 36,843</u>

If the financing leases were capitalized, with the lease rights amortized on a straight-line basis and interest expense accrued on the outstanding lease liability, net income for the years ended January 31, 1976 and January 31, 1975 would not have been materially affected.

8) Mersco Finance Corporation

The Company sells its revolving and installment sales accounts to its finance subsidiary, Mersco Finance Corporation, without recourse. Mersco withholds, as a reserve, an amount equal to 10% of the receivables acquired. Mersco currently charges the Company a fee which is equal to one and one half times its fixed charges.

The following are summary balance sheets for Mersco Finance Corporation:

Assets	January 31, (thousands)	
	1976	1975
Customer receivables purchased from Mercantile Stores Company, Inc.	\$ 67,703	\$ 60,606
Less—Amount payable to Mercantile Stores Company, Inc. pending collection of customer receivables	(6,770)	(6,061)
	60,933	54,545
Cash	20	17
Total Assets	<u>\$ 60,953</u>	<u>\$ 54,562</u>
Liabilities and Stockholder's Equity		
Current Liabilities		
Due to Mercantile Stores Company, Inc.	\$ 51,611	\$ 49,429
Demand note, due to an affiliate	4,426	—
Federal income taxes	—	273
Accrued liabilities	7	163
	56,044	49,865
Long-Term Note, due to an affiliate	2,500	2,500
Stockholder's Equity	2,409	2,197
Total Liabilities and Stockholder's Equity	<u>\$ 60,953</u>	<u>\$ 54,562</u>

Ten-year Summary of Operations

	Year ended January 31	1976	1975	1974
Operating Results (3)				
Net sales		\$630,604,000	\$563,861,000	\$518,106,000
Cost of goods sold		429,158,000	392,038,000	357,203,000
Selling, general and administrative expenses		136,312,000	124,827,000	113,189,000
Interest expense		3,269,000	4,471,000	4,766,000
Income before income taxes		61,865,000	42,525,000	42,948,000
Percent to sales		9.8	7.5	8.3
Income taxes		30,320,000	21,491,000	21,323,000
Income before extraordinary item		31,545,000	21,034,000	21,625,000
Percent to sales		5.0	3.7	4.2
Extraordinary item		—	—	—
Dividends paid		4,716,000	4,716,000	4,569,000
Per Common Share (1)				
Income before extraordinary item	\$	5.35	\$	3.57
Extraordinary item		—	—	—
Dividends		.80	.80	.77½
Financial Position				
Working capital		\$128,224,000	\$102,181,000	\$ 95,248,000
Ratio of current assets to current liabilities		2.69	2.74	2.47
Receivables—before deduction for accounts sold		74,073,000	69,191,000	65,935,000
Inventories		103,448,000	82,803,000	87,139,000
Property and equipment — net		117,941,000	106,290,000	93,907,000
Total assets		329,799,000	273,873,000	260,529,000
Long-term debt		45,076,000	34,656,000	32,799,000
Retained earnings		188,301,000	161,472,000	145,154,000
Stockholders' equity		199,850,000	173,021,000	156,703,000
Per common share		33.90	29.35	26.58
Return on stockholders' equity (2)		16.9%	12.8%	14.6%
Number of shares outstanding (1)		5,895,636	5,895,636	5,895,636
Other Data				
Capital expenditures	\$	23,116,000	\$	22,556,000
Depreciation		11,465,000	10,173,000	9,533,000
Number of stores		76	73	73
Total square feet		7,940,000	7,538,000	7,372,000

(1) Amounts have been adjusted for 2 for 1 split in year ended January 31, 1974.

(2) Based on average of stockholders' equity at beginning and end of year.

(3) Reclassifications have been made to certain captions to conform with general reporting practices of the retail industry.

1973	1972	1971	1970	1969	1968	1967
\$458,328,000	\$393,258,000	\$353,464,000	\$318,353,000	\$285,585,000	\$256,550,000	\$234,267,000
314,682,000	269,943,000	241,855,000	218,513,000	197,832,000	180,822,000	165,650,000
98,608,000	86,016,000	77,264,000	68,390,000	61,325,000	54,805,000	49,283,000
4,127,000	3,731,000	3,186,000	2,503,000	2,207,000	1,816,000	1,940,000
40,911,000	33,568,000	31,159,000	28,947,000	24,221,000	19,107,000	17,394,000
8.9	8.5	8.8	9.1	8.5	7.4	7.4
20,155,000	16,317,000	15,479,000	15,385,000	12,870,000	8,925,000	8,320,000
20,756,000	17,251,000	15,680,000	13,562,000	11,351,000	10,182,000	9,074,000
4.5	4.4	4.4	4.3	4.0	4.0	3.9
—	—	1,007,000	—	—	1,387,000	—
4,127,000	4,127,000	4,127,000	4,127,000	4,127,000	4,127,000	4,127,000
\$ 3.52	\$ 2.93	\$ 2.66	\$ 2.30	\$ 1.93	\$ 1.73	\$ 1.54
—	—	.17	—	—	.24	—
.70	.70	.70	.70	.70	.70	.70
\$ 88,127,000	\$ 84,153,000	\$85,501,000	\$ 57,414,000	\$ 52,679,000	\$ 46,387,000	\$ 43,829,000
2.73	3.14	3.27	2.75	2.66	2.80	2.79
65,473,000	52,673,000	47,740,000	43,807,000	41,615,000	38,309,000	35,949,000
79,975,000	65,422,000	57,975,000	50,321,000	46,017,000	39,757,000	33,325,000
87,368,000	76,538,000	63,052,000	54,622,000	52,171,000	48,319,000	44,157,000
229,813,000	201,885,000	188,844,000	146,898,000	137,726,000	121,909,000	113,949,000
34,243,000	35,819,000	37,268,000	14,102,000	15,731,000	13,526,000	14,572,000
128,098,000	111,469,000	98,345,000	85,785,000	76,350,000	69,126,000	61,684,000
139,647,000	123,018,000	109,894,000	97,334,000	87,899,000	80,675,000	73,234,000
23.69	20.87	18.64	16.51	14.91	13.68	12.42
15.8%	14.8%	15.1%	14.6%	13.5%	13.2%	12.9%
5,895,636	5,895,636	5,895,636	5,895,636	5,895,636	5,895,636	5,895,636
\$ 19,766,000	\$ 20,496,000	\$ 14,178,000	\$ 7,970,000	\$ 8,178,000	\$ 8,634,000	\$ 6,887,000
7,557,000	6,235,000	5,182,000	4,613,000	4,326,000	3,983,000	3,485,000
71	69	66	62	61	61	60
6,863,000	6,256,000	5,656,000	5,134,000	5,005,000	4,942,000	4,630,000

Scope of Business

The Company operates 76 department stores in the downtown and suburban areas of cities in 18 states in the United States and in the Province of Ontario, Canada. The Company does not operate stores in the very large metropolitan areas. All stores operate under locally prominent trade names and stress a wide selection of goods and a high degree of service. A listing of the names and locations of the stores begins on page 28 of this report.

The department store business is highly competitive, as similar merchandise is generally available to competitors at the same cost price. The Company believes that its pricing policies are competitive with other stores in the areas in which it operates. The Company competes with department, specialty and discount stores, including national chains, in the purchase and sale of merchandise, as well as for store location sites.

As is the case in the department store industry, the fourth quarter, which encompasses the Christmas selling season, is the most significant period of the year for the Company. In the year ended January 31, 1976, the fourth quarter accounted for 33% of total net sales and 48% of total net income.

All of the Company's stores carry a wide assortment of goods ranging from higher priced nationally branded items to more moderately priced goods sold under the Company's private label although each store tailors its particular mix of goods to the needs of its customers.

In general, the stores attempt to appeal to middle-to-upper income groups. All of the stores are designed to present an attractive setting to the customer while emphasizing both fashion and value.

The Company employs approximately 12,500 people on a regular basis and up to 16,500 during peak periods.

Management's Discussion of Summary of Operations

Sales in the 1975 fiscal year increased by 11.8% compared to an increase of 8.8% in 1974 and 13.0% in 1973. In the Operating and Financial Review, the Company has reviewed the sales pattern for the 1975 and 1974 fiscal years. The third and fourth quarters of 1975, fueled by the economic recovery and consumer confidence, showed substantial gains over the previous year. In addition, the Company opened three new stores and replaced a fourth store whereas in the prior year, the Company only expanded two existing stores and opened one relatively small unit.

Cost of Sales in 1975 increased 9.5% over the prior year's amount which was slightly less than the 9.8% increase experienced in 1974 and a significant improvement over the 13.5% year to year increase in 1973. The increase in cost of sales over the prior year amount is, of course, partially a result of the increase in sales volume. In addition, for the current year, mark-up as a percent of sales showed an increase and mark-downs as a percent of sales fell below those of a year ago. The rate of inflation, having slowed substantially

from the prior year, did not have as much effect on Cost of Sales as in 1974 when the Company first adopted LIFO.

Selling, General and Administrative Expenses increased by 9.2% in fiscal 1975. This contrasted with a year to year increase of 10.3% for 1974 and 14.8% in 1973. The smaller increase in 1975 includes the effect of non-recurring pre-tax gains of \$1,302,000 relating to the sale of a warehouse and a land condemnation award received by a real estate joint venture accounted for under the equity method.

Interest Expense for 1975 decreased 27% from the prior year level. As explained in the Operating and Financial Review, this decrease was due primarily to the decline in borrowing rates and the lower inventory levels maintained during the first seven or eight months of fiscal 1975. Therefore, the borrowings to finance inventory in 1975 were lower than usual. In 1974, although interest rates rose to extremely high levels, borrowings were down and Interest Expense reflected a 6.2% decrease from the prior year. For fiscal 1973, Interest Expense reflected normal borrowings but higher than normal short term rates.

Market and Dividend Information

The Company has only one class of stock outstanding—common, with a par value of \$.91 $\frac{2}{3}$ per share. This stock is traded on the New York Stock Exchange.

The range of market prices by quarter for the last two years was as follows:

<u>Quarter</u>	<u>1975</u>	
	<u>High</u>	<u>Low</u>
First	54 $\frac{3}{4}$	36
Second	60	51
Third	52 $\frac{1}{8}$	44 $\frac{5}{8}$
Fourth	60 $\frac{5}{8}$	50 $\frac{7}{8}$

<u>Quarter</u>	<u>1974</u>	
	<u>High</u>	<u>Low</u>
First	41	35 $\frac{1}{8}$
Second	45	37
Third	40	28 $\frac{1}{4}$
Fourth	38 $\frac{3}{8}$	28 $\frac{1}{4}$

During the past two years, the following dividends were paid for each share of stock:

March 14, 1975	\$.20
June 13, 1975	.20
September 15, 1975	.20
December 15, 1975	.20
	<u>.80</u>
March 15, 1974	\$.20
June 14, 1974	.20
September 14, 1974	.20
December 13, 1974	.20
	<u>.80</u>

Mercantile's Northern Tier



The Duluth Glass Block Store Company is the oldest and largest department store in Duluth, Minnesota. It was founded in 1887 by John Panton and Joseph Watson, who opened a small store at the corner of First Avenue West and Superior Street under the name Panton & Watson.

When Joseph Watson retired in 1896, William White, of the L. S. Donaldson Company of Minneapolis, joined the organization as a partner. The store name was changed to Panton & White. The new partnership proved as successful as the original one and by 1902 the prospering business needed more space.

In 1911, the Panton & White stock was purchased by the F. A. Patrick Company of Duluth and in 1912 the store name was changed to the Glass Block Store Company.

The store continued to operate under the ownership of the Patrick Company until 1944 when Glass Block was acquired by Mercantile.

Extensive remodeling was conducted on an almost continuous basis during the 1950's, '60's and '70's. The largest expansion came in 1969-70 with the addition of a parking ramp overpass, a complete new coffee shop and departmental renovation in several areas of the store.

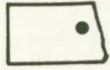
In 1973, a large two-level Glass Block store was opened in the new Miller Hill Mall Shopping Center, just a few miles from the downtown store. The new Miller Hill unit, with 146,000 square feet, includes spacious central offices for both Glass Block stores.

The Duluth Glass Block Store Company has a well deserved reputation throughout the areas it serves as an outstanding retail organization that stresses fine quality, high fashion and complete customer satisfaction.

Glass Block was founded on a tradition that has served it well and that promises to serve it better in meeting the opportunities of the future—a foundation that has contributed to the growth of Glass Block for 89 years and continues to pave the way to an even brighter future.



de Lendrecie's



Established 1879
Fargo, North Dakota



The O. J. deLendrecie Co. first opened its doors for business in Fargo, North Dakota in 1879, twenty years prior to North Dakota statehood. The local newspaper of the time hailed the newcomer as "an elegant store with everything a lady could want."

In fact, the 554 pioneer women of the town, then part of Dakota Territory, must have been dazzled by the new store in their midst; for its founder, Onisime deLendrecie, a French Canadian, and his partner, Charles Chiniquy, spread an array of luxurious merchandise before their eyes that few had ever seen before. Women from sod and log cabins bought the elegant silks and satins imported from India and Japan; cashmeres and velvets from Scotland, England and Germany; and matching millinery, trimmings, and other finery. The store's original name was the Chicago Dry Goods House.

By 1893, a new and larger store building was needed. When it opened, it was under a new name, deLendrecie's Mammoth Department Store. A few years later, three new stories were added to the original two floors. The store name was changed a third time to the O. J. deLendrecie Department Store.

Mercantile acquired deLendrecie's in 1955.

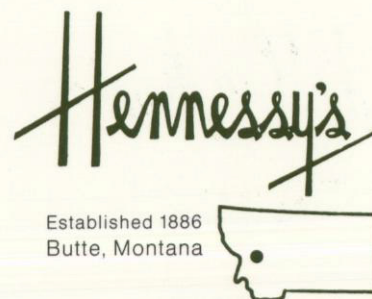
In 1972, the old downtown store was closed and deLendrecie's was moved to luxurious new quarters in Fargo's booming West Acres Shopping Center. When the new store opened, the Fargo Moorhead Forum commented: "In its sprightly young garb at West Acres, the matriarch of local department stores has changed her face, her style, and her way of life—with the same respected service left as a reminder of this fresh upstart's breeding."

To its many customers who shop regularly in Fargo from a radius of several hundred miles, The O. J. deLendrecie Co. has become the most popular store in the West Acres Shopping Center.

Today, the store continues to maintain the tradition of selling quality merchandise coupled with excellent customer service policies.

As Fargo grows, so grows deLendrecie's.

Mercantile's Northern Tier



The Hennessy Company of Butte, Montana was established in 1886, three years before that territory entered the Union. Its founder, Daniel J. Hennessy, was a Canadian.

Mr. Hennessy arrived in Montana in the late 1870's and quickly found himself a job with E. J. Bonner & Company of Butte. By 1886, he was ready to strike out on his own. The Butte Daily Miner announced the grand opening of D. J. Hennessy & Company, Main Street, Butte, Montana.

By 1889, the Hennessy enterprise was very successful; the business had expanded with such rapidity and regularity that in less than three years both its facilities and its stock required expansion. To obtain the necessary capital expenditure for this venture, the firm became incorporated under the name, D. J. Hennessy Mercantile Company.

Daniel Hennessy was referred to as "the Merchant Prince of Montana and the Northwest."

As business continued to spiral upward, the need to expand again came in 1898. A handsome new six-story building was constructed.

Hennessy's to this day is still the "biggest, best and busiest store in Montana." Its store in downtown Butte covers 84,000 square feet of space. In 1965, Hennessy's opened a sparkling new 44,000 square-foot branch store in Montana's capital city of Helena.

An exciting, new 95,000 square-foot store opened in September, 1975 in Billings, the largest city in the state.

Hennessy's is proud of its fine reputation for quality and service that has become a tradition over the past 90 years. Many satisfied customers have had Hennessy charge accounts for 50 years or longer. Hennessy's, like other Mercantile Stores, offers its customers the finest quality merchandise available at competitive prices coupled with the latest fashions. It is a family-oriented store in every sense of the word.



Peoples



Established 1888
Tacoma, Washington



The Peoples Stores Company of Tacoma, Washington was established in 1888 under the parent company of Garretson, Woodruff and Pratt. On the store's opening day that year, a news article in a local paper commented: "The crowd came in and bought so heavily that the shelves were pretty near cleaned."

The store grew right along with Tacoma. In 1896, Peoples moved to larger quarters on the corner of 11th and Pacific Avenue where it is still doing business today. It offered the people of Tacoma a large and sophisticated selection of goods, ranging from luxurious silks and satins to silverware, perfume and art works. It was a department store in every sense of the word.

It became a part of Mercantile in 1914.

During the 1930's, the downtown Tacoma store was completely remodeled. Branch stores, ranging in size from 23,000 to 30,000 square feet were opened in Yakima and Wenatchee in 1945, Port Angeles in 1947 and Lakewood in 1955.

By 1957, it was necessary to expand the downtown Tacoma store to better service the growing population. It was enlarged to 100,000 square feet.

In May, 1966, another branch was opened in Lacey's South Sound Shopping Center. This same year the Yakima store had gained such acceptance that it became necessary to move the unit to a new and larger building.

The 1970's have seen extensive expansion and remodeling of stores in the division.

Peoples of Washington had a further expansion in August, 1975, when a new 98,700 square foot branch was opened in Federal Way, part of the Sea-Tac Mall, a regional shopping center of 700,000 square feet. This branch is located approximately 10 miles north of Tacoma in one of the fastest growing residential areas in the state.

Recognized throughout the areas it serves as the leading "all-around family store," Peoples prides itself on its customer service, its wide selection of merchandise and its outstanding values.

Mercantile Stores Company, Inc.

Department Store Divisions

Bacors

Established 1845

Louisville, Kentucky

Martin S. Margulis, President

Bashford Manor

Shively

St. Matthews

Jeffersonville, Ind.

GAYFERS

Established 1879

Mobile, Alabama

Robert W. Holcomb, President

Springdale Downtown Mobile Tallahassee, Fla.

Clearwater, Fla.

Edgewater, Miss.

Pensacola, Fla. (2)

Jackson, Miss.

Hennessy's

Established 1886

Butte, Montana

George R. Nally, President

Downtown Butte

Billings

Helena

Glass Block

Established 1887

Duluth, Minnesota

William G. Stubenvoll, President

Downtown Duluth

Miller Hill

Castner Knott Co.

Established 1898

Nashville, Tennessee

Ralph T. Glassford, President

Downtown Nashville

Harding Mall

Donelson

Rivergate

Franklin

Shelbyville

Green Hills

Bowling Green, Ky.

Joslins

Established 1873

Denver, Colorado

Donald R. Chabot, President

Downtown Denver

Boulder

Pueblo

Aurora

Englewood

Villa Italia

Greeley

the Jones Store co.

Established 1887

Kansas City, Missouri

H. Marvin Dorethy, President

Downtown Kansas City

Overland Park, Kans.

Blue Ridge

Crown Center

Prairie Village, Kans.

Peoples

Established 1888

Tacoma, Washington

Terrance C. Jarvis, President

Downtown Tacoma

Olympia (Lacey)

Federal Way

Port Angeles

Lakewood

Yakima

Wenatchee

**GAYFERS
MONTGOMERY FAIR**

Established 1868

Montgomery, Alabama
Stephens E. Maxwell, President
Montgomery Eastbrook
Auburn Columbus, Ga. Tuscaloosa

 Root's

Established 1856

Terre Haute, Indiana
Frank C. Schrohe, President
Downtown Terre Haute Sullivan
Honey Creek Robinson, Ill.

de Lendrecie's

Established 1879

Fargo, North Dakota
Ray Klein, President

Lazarus

Established 1889

Wilkes-Barre, Pennsylvania
Randolph L. Burnette, President

 Lion

Established 1857

Toledo, Ohio
Philip W. Kaiser, President
Downtown Toledo Southwyck Westgate

The Right House

Established 1843

Hamilton, Ontario, Canada
Russell W. Lackie, President
Brantford Downtown Hamilton Guelph
Cambridge St. Catharines

McAlpin's

Established 1852

Ohio Operations	Kentucky Operations
David R. Huhn, President	William R. Bartlett, President
Downtown Cincinnati	Lexington, Ky. (2)
Cherry Grove	
Kenwood	
Middletown	
Northgate	
Western Hills	

J.B. White

Established 1874

Augusta, Georgia	Columbia, South Carolina.
Robert W. Tyler, President	Thomas E. Hale, President
Downtown Augusta	Richland Mall
National Hills	Dutch Square
Aiken, S. C.	

Represented in the markets by:

Mercantile Stores Company, Inc. (N.Y.) 128 W. 31st Street, New York, N.Y. 10001 Cable Address: Merstore

